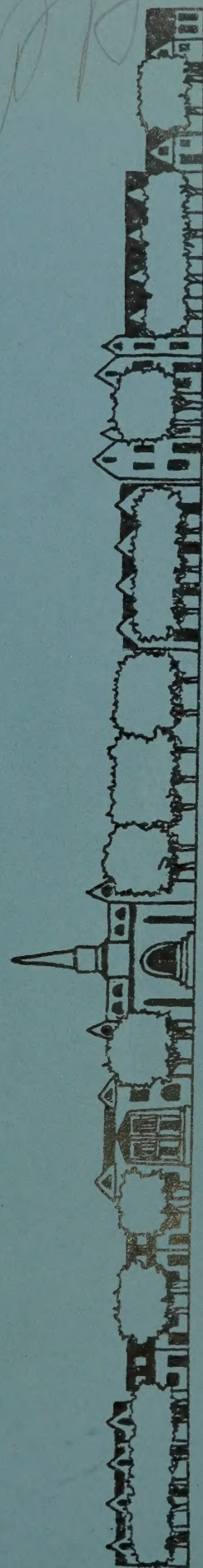


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Rehabilitation and Zoning Review



Ministry
of
Housing

Ontario

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REHABILITATION AND ZONING REVIEW:

Summary Report

MINISTRY OF HOUSING
PROJECT PLANNING BRANCH
for the
Rehabilitation and Zoning
Review Committee

June, 1980

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PREFACE

Municipal zoning and its relationship to urban residential rehabilitation activity in Ontario has been the subject of discussion both inside and outside the Ministry of Housing.

To assess the state of the art of residential rehabilitation in or near the core areas of larger cities and to develop an understanding of the effects of current zoning practices on rehabilitation, the Community Planning Wing of the Ministry of Housing set up the Rehabilitation and Zoning Review Committee.

Chaired by the director of the Community Planning Advisory Committee, it consists of representatives of several branches:

- Community Renewal Branch;
- Community Planning Review Branch;
- Community Planning Advisory Branch;
- Project Planning Branch;

The Project Planning Branch prepared this report summarizing the assessment.

The results of the Review will assist in the development of new Ministry policies and programs for housing rehabilitation activity across the Province. In addition it will provide background to the rehabilitation and construction industry strategies being jointly prepared by the Ministry of Housing and the Housing and Urban Development Association of Canada (HUDAC).

The Rehabilitation and Zoning Review report is a fairly limited survey of residential rehabilitation activity in Ontario. Little information -- indicating the extent and nature of rehabilitation activity outside of Toronto -- is readily available at the municipal level. More in-depth study will be required before definitive conclusions and recommendations can be made. This report is intended to prepare the basis for further work and to recommend specific areas where research is needed.

A related study examining the potential for new infill development in smaller Ontario cities is also underway in the Project Planning Branch. Infill development is new construction on vacant or under-utilized land in or close to the urban core. The findings from the infill work should contribute to our understanding of how zoning and other municipal regulations affect rehabilitation, as well as new development.

1.0 INTRODUCTION

1.1 BACKGROUND

Residential rehabilitation is not a new concept or activity. Most urban centres across the country have witnessed changes and improvements to their older housing stock as it has become obsolete or run-down. For example, larger older houses closer to the core area may have been made into apartments or boarding and lodging houses.

The Federal and Ontario Provincial Governments have directly funded residential rehabilitation since 1973 and 1974 respectively, when they established the Residential Rehabilitation Assistance Program (RRAP) and the Ontario Home Renewal Program (OHRP). These programs are directed toward lower income households to encourage them to upgrade their houses at least to standards established under local minimum property standards by-laws.

RRAP and OHRP are primarily aimed at owner-occupants of single family housing. Limited financial assistance was made available to landlords of older rental properties under both programs. The OHRP-Rental Program, however, lasted only one year and was not revived. Similarly, RRAP-Rental has been discontinued.

On the whole, the RRAP and OHRP programs have been extremely successful in assisting homeowners with basic improvements, like new plumbing and wiring, to their homes. The programs have not been geared toward the creation of new dwelling units in the older housing stock.

1.2 WHAT DO WE MEAN BY REHABILITATION?

For the purposes of this study we have taken a broader view of rehabilitation activity -- one that includes the conversion of older residential properties as well as the making of improvements to them.⁽¹⁾

"Rehabilitation" is used broadly to describe the field as a whole. For clarity, we have also made the following distinctions, and will continue to make these distinctions throughout this report.

rehabilitation: improving a building up to minimum municipal property standards;

renovation: improving a building beyond minimum municipal property standards;

conversion: changing the use or type of units. This may involve either rehabilitation or renovation.

Common residential conversions are illustrated in Figure 1, opposite.

These three distinctions will help to describe a number of new rehabilitation trends which have emerged recently and which are quite different from conventional rehabilitation practice (normally more modest improvements by homeowners). These new trends are:

White-painting or gentrification: where single family houses are renovated by middle and upper-middle income groups returning to the central city.

Renovation for Sale: where a small builder-developer renovates a single family house for sale.⁽²⁾

Conversion of Non-Residential Uses for Residential Purposes: where warehouses, schools, vacant or under-utilized space over stores are converted into apartments.

Renovation or Rehabilitation for Rental: where existing apartments are improved or new apartments created, including use of house-form buildings as well as apartment buildings. In this case the builder-developer will normally retain ownership of the property once improvements are carried out.

Mixed Use Rehabilitation or Renovation: where a portion of the property will be improved for office or retail use, and the remainder for residential use.

1.3 REHABILITATION FOCUS

This study focuses on the rehabilitation for rental purposes of properties in or close to the city core. Little is known about rehabilitation for rental, particularly outside of the Toronto context. Consequently we directed our efforts toward finding out as much as possible about this aspect of rehabilitation -- although we also investigated other areas.

A number of factors indicate that rehabilitation for rental purposes (rather than for owner-occupancy) may have significant potential to contribute to the overall supply of affordable rental accommodation in larger Ontario cities. Among the more important factors are:

The age of the overall housing stock. By 1990, 56 percent of the available housing of all unit types will be more than 30 years old.⁽³⁾ Substantial repair and upgrading will become increasingly necessary to extend the useful life of this housing.

Mismatch between market and unit type. Demographic forecasts indicate that the size and type of available housing units may require modification to meet the needs of smaller more numerous households⁽⁴⁾ in the future.

Energy conservation. The Canadian Home Insulation Program (CHIP) has made the conservation of energy more viable in older housing and has encouraged the development of new, more efficient methods for application to older housing stock. The higher density of dwelling units in older inner city neighbourhoods also contributes to the conservation of energy and resources in other areas such as public transit, hard services and so forth.

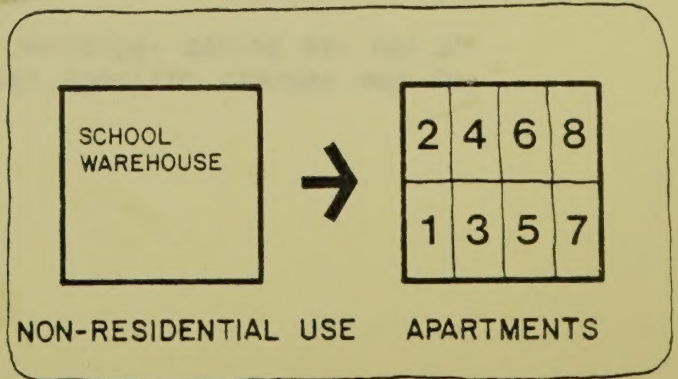
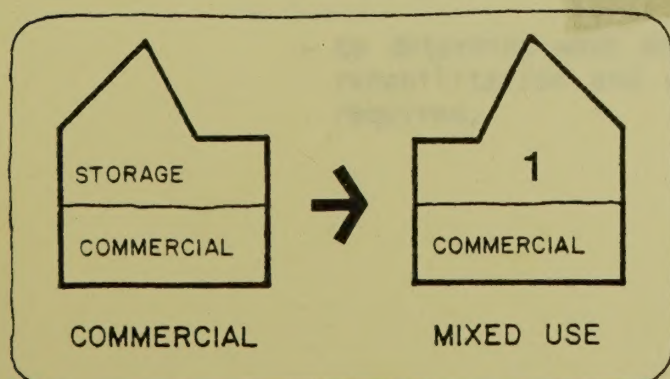
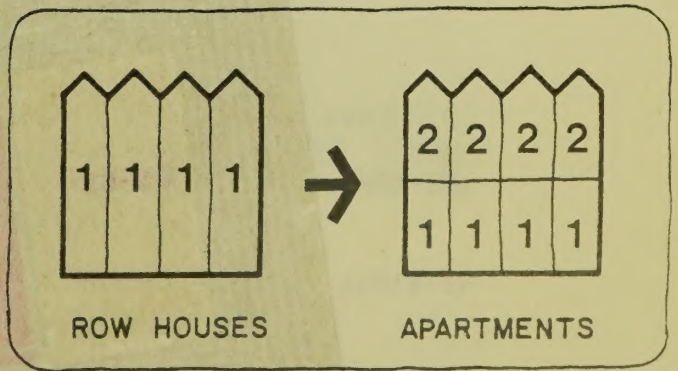
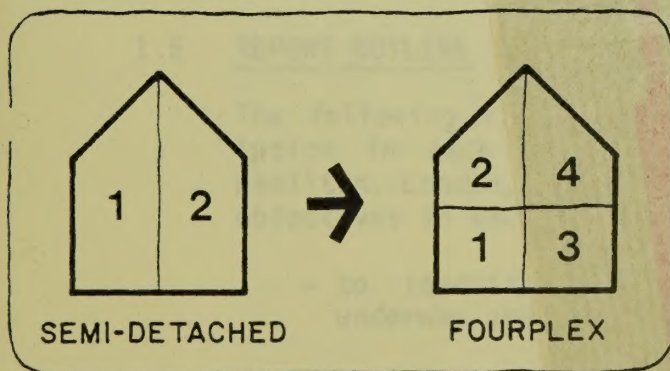
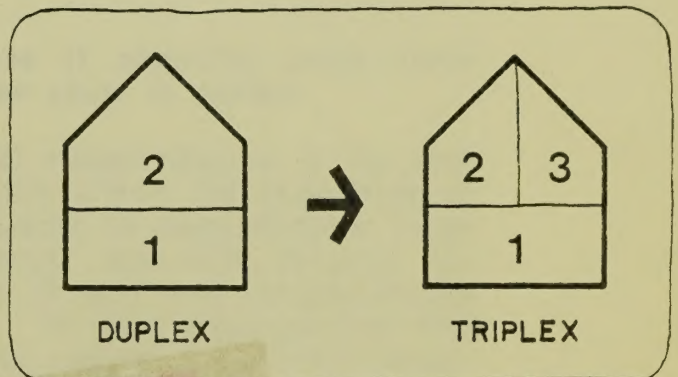
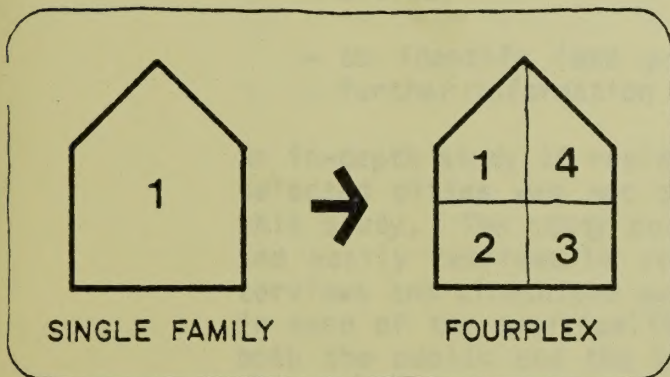
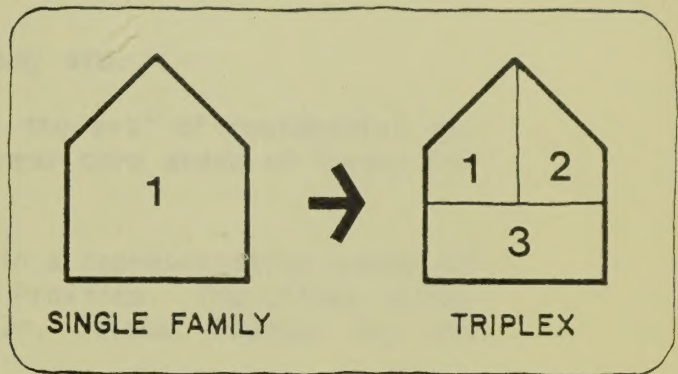
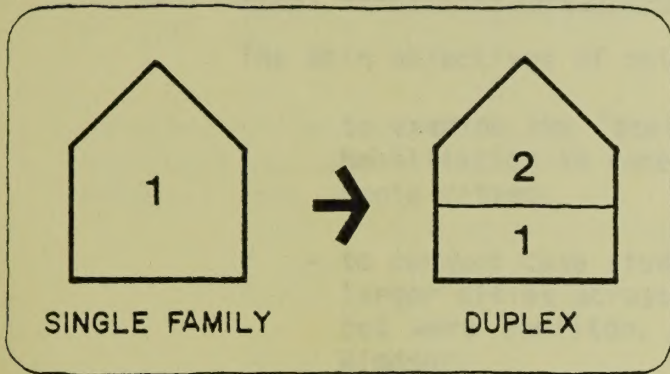
Size and quality of older housing stock. Often the larger size of older housing stock makes conversion into a number of smaller units economically feasible. The quality and heritage or architectural value of this stock also can make it quite attractive to certain tenants.

Revitalization of mixed use or non-residential properties for residential purposes. Obsolete buildings or uses which have become inappropriately located as the city has grown provide opportunities for new forms of residential use, e.g., studio apartments in former warehouses.

While the effect of zoning on the rehabilitation of single family housing is relatively well understood,⁽⁵⁾ not much work has been done on the influence of zoning on conversions for multiple family use. The above factors suggest that zoning, as the main regulatory mechanism municipalities have to govern land use, should receive greater attention in light of the present increase in rehabilitation activity. Recent trends also indicate that municipalities should recognize this increase in rehabilitation activities and be prepared for such changes before they occur. Zoning clearly has the potential to play a vital role for municipalities in encouraging or discouraging the rehabilitation and conversion of older housing stock.

FIGURE 1

THE MOST COMMON RESIDENTIAL CONVERSIONS



1.4 STUDY OBJECTIVES AND APPROACH

The main objectives of this study are:

- to examine the "state of the art" of residential rehabilitation in core or near core areas of larger Ontario cities;
- to conduct case studies in a representative number of larger cities across the Province. The cities selected were Hamilton, London, Ottawa, Thunder Bay and Windsor.
- to identify the role zoning has played in influencing (positively or negatively) zoning in the case study cities;
- to identify (and prioritize if possible) areas where further information and/or study is needed.

An in-depth study of residential rehabilitation in the five selected cities was not possible within the time-frame of this study. The study concentrated on supplementing known and easily retrievable statistical data with personal interviews and windshield surveys of core area neighbourhoods in each of the municipalities. In most cases persons from both the public and the private sectors were interviewed. Usually these included the planning director, urban renewal coordinator, chief building inspector, real estate agents and private developers. A complete list of individuals contacted may be found in Appendix A.

1.5 REPORT OUTLINE

The following five chapters examine residential rehabilitation in each of the five cities selected for study: Hamilton, London, Ottawa, Thunder Bay and Windsor. And the objectives in each case study have been:

- to identify the type of rehabilitation activity underway and pin-point the prominent areas;
- to examine the extent of rehabilitation for rental which has gone on and to determine the potential for rental rehabilitation (both market and housing supply);
- to determine what effect municipal zoning has had on rehabilitation and whether specific changes may be required;

- to establish whether there are other factors which have influenced rehabilitation activity in a particular city.

The second last chapter will draw together the information and conclusions from each of the five cities to highlight the principal findings. The final chapter will identify areas which require further in-depth work.

REPORT OUTLINE

The following five chapters examine residential rehabilitation in each of the five cities selected for study: Hamilton, London, Liverpool, Manchester and Glasgow. The objectives of each city study have been:

- to identify the type of rehabilitation activity underway and pinpoint the prominent areas;

- to examine the extent of rehabilitation for rental housing and to determine the potential for rental rehabilitation (both rental and housing supply);

- to determine what effect municipal zoning has had on rehabilitation and whether specific changes may be required;

2.0 CITY OF HAMILTON

The City of Hamilton has experienced substantial rehabilitation for rental purposes over the past several decades. Much of this rehabilitation activity, however, has taken the form of conversion to single family homes, often by owner-occupants. A great many of these conversions are illegal. City staff estimate approximately 10,000 illegal conversions have been carried out below the mountain.

These conversions, which have added rental units to single family homes, have resulted in serious community problems, notably on-street parking and traffic (Fig. 2.1). Given these current concerns related to conversions, the municipality is reluctant to endorse a policy which would encourage a further increase in density in the core area without first knowing the possible negative impacts and being able to prevent them.

On the other hand, rehabilitation of single family dwellings under the OHRP and RRAP programs is considered most successful and is likely to continue. Renovation of residential properties has occurred to a limited degree in Hamilton. The future potential for further renovations in the next 5 to 10 years is not significant under predicted market conditions.

2.1 BACKGROUND

The City of Hamilton is situated in the industrial heartland of Ontario and has a population of about 306,538 persons (1979, assessment). This is approximately 75 percent of the total population in the Hamilton-Wentworth Region.⁽⁶⁾ As a major steel manufacturing centre, a very significant proportion of the population is employed in that sector -- about 45 percent in manufacturing (1971, Census).

Past trends in population reveal that the growth rate of the city has been declining steadily from at least 1966. Although the growth rate is still positive, it fell dramatically to a .18% annual increase in the 1971 - 1976 period. The average rate of increase between 1966 and 1971 was .74% per year. This trend reflects similar, but less steep, declines in both the Province and the Hamilton-Wentworth Region.

TABLE 1
CENSUS POPULATION
CITY OF HAMILTON

	<u>Year</u>	<u>Pop.</u>	<u>Annual Change</u>
Hamilton	1966	298,121	
	1971	309,173	.74 %
	1976	312,003	.18 %
CMA	1966	457,410	
	1971	503,122	2.0 %
	1976	529,371	1.0 %
Province	1966	6,960,870	
	1971	7,703,105	2.14 %
	1976	8,264,465	1.5 %

The Ministry of Treasury and Economics forecasts a very slow rate of growth for the City to 2001. Other regional municipalities may, in fact, see faster growth. But it is unlikely that there will be a major demand for city core rental accommodation in the near future for several reasons. First of all, "sufficient land for approximately 6000 housing units could be put on stream within one year in Hamilton. [And] one thing seems clear, at least for the next five or six years there should be no shortage of housing land in the region."⁽⁷⁾

Secondly, rents in Hamilton have been traditionally quite low⁽⁸⁾ and had been accompanied by relatively high vacancy rates.* Consequently there has been no incentive for the private sector to invest in older properties with higher development risks attached.

* However, vacancy rates for buildings with six units or more, publicly and privately initiated projects, have decreased from a high of 4.1 per cent in April of 1977 to a low of 1.9 per cent in April, 1980.

Source: Canada Mortgage and Housing Company (CMHC),
May, 1980.

There is little indication of a sizeable market for core area housing in the near future (next 5 to 10 years), although the changing demographic composition of some of the inner city neighbourhoods in the future may result in a changing demand for unit types (as the population ages smaller units may be needed).

Hamilton's inner city neighbourhoods, like many in Toronto, became home to many new immigrant families in the fifties, sixties and seventies. With the decline in immigration and the aging of these groups, the housing stock will require adjustments (usually to provide smaller units).

2.2 CURRENT REHABILITATION ACTIVITY

The first urban renewal area in Hamilton was situated in the North End neighbourhood (Map 1). In the North End, as well as the four more recently formed Neighbourhood Improvement Areas (NIP Areas), there has been a substantial amount of homeowner rehabilitation under OHRP, RRAP and the Hamilton assisted Rehabilitation Program (HARP). Figure 2.1 illustrates a fairly typical street in the Lansdale neighbourhood where rehabilitation has been done. The improvements are seldom reflected in a substantial change to the exterior of the building as is the case with renovations (Figure 2.2).

Recently the North End has experienced some owner-occupant renovation (white-painting) along Bay Street -- perhaps four or five properties (Figure 2.4). The majority of renovation activity, however, has occurred in the Durand Neighbourhood.

Durand lends itself to renovation in particular because of the large size, location (close to the CBD) and excellent quality of its housing stock. Figures 2.5 and 2.6 illustrate the type of housing appearing in Durand. There has been very little known renovation activity for rental purposes, although a few luxury lodging houses have sprung up in Durand.

2.3 REHABILITATION POTENTIAL

There is little potential, from a municipal point of view, for further conversion of residential properties in Hamilton's central area. The municipality, recognizing the amount of illegal conversion activity and its effects, will be reluctant to encourage the wholesale creation of new units in this manner over the next few years.

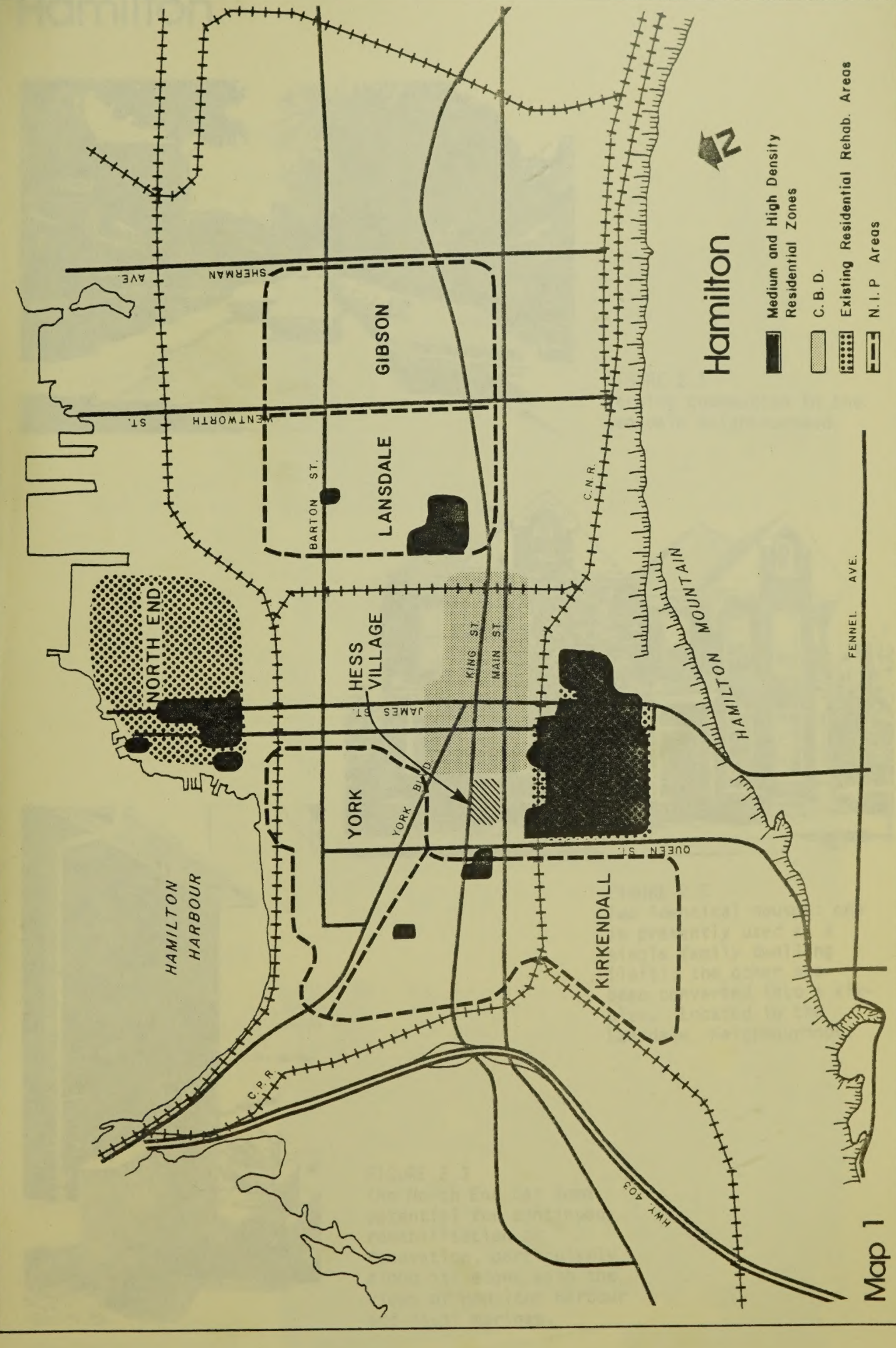
From an entrepreneurial perspective there would also appear to be little incentive to enter the rehabilitation market, especially for the rental market in Hamilton.

Renovation opportunities, especially for the single family market, will still be available in the Durand and North End neighbourhoods over the short term. (Figure 2.3).

2.4 ZONING

The multiple family zones (allowing more than a duplex) are indicated in red on Map 1. While the amount of land actually zoned to permit greater densities is quite small, the remaining residential lands outside of these zones permit two-family dwellings (in what were originally single family areas).

In Hamilton, zoning in particular regarding the use of a property, has had negligible impact on rehabilitation activity. There has, however, been a significant increase in minor variance applications before the Committee of Adjustment. Exemption from parking requirements appears to be the main application issue.



Hamilton

- Medium and High Density Residential Zones
- C.B.D.
- Existing Residential Rehab. Areas
- N.I.P. Areas

Map 1

Hamilton



FIGURE 2.1
Parking congestion in the
Lansdale Neighbourhood.



FIGURE 2.2
Two identical houses: one
is presently used as a
single family dwelling
(left); the other has
been converted into a six-
plex. Located in the
Lansdale Neighbourhood.

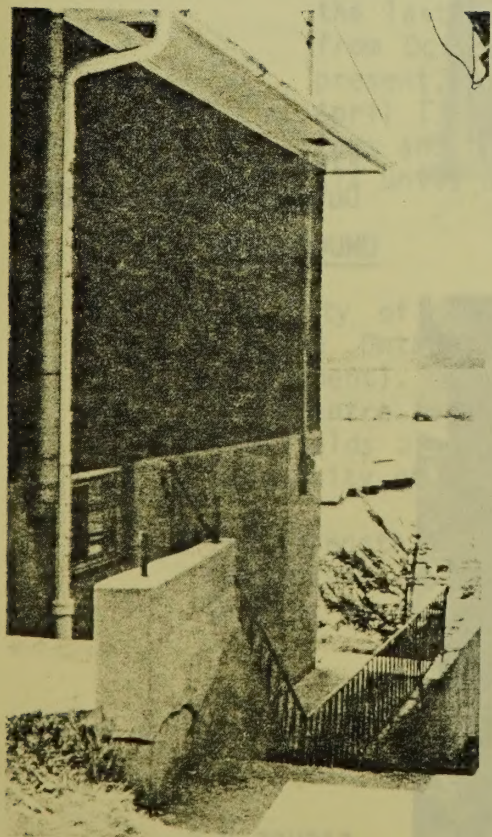


FIGURE 2.3
The North End has some
potential for continued
rehabilitation or
renovation, particularly
along its edges with the
views of Hamilton Harbour
and local marinas.



FIGURE 2.4
The North End.



FIGURE 2.5
Durand Neighbourhood.



FIGURE 2.6
Durand Neighbourhood.

3.0 CITY OF LONDON

The rehabilitation of existing housing in the City of London has not occurred to the extent anticipated from experience in other large urban centres. Nevertheless, the quality and size of the housing stock close to the City's core has significant physical potential for renovation.

From our brief study several factors, other than municipal zoning by-laws, have emerged which appear to have contributed to the relative absence of rehabilitation activity in London. In particular:

- The proximity of large house-form buildings to the core area, especially close to major office development, has made them attractive for conversion to office use.
- The sizable student population has meant a continuing demand for lower priced multiple-family accommodation. In turn this has made minimum standard conversion of older housing into flats or rooming houses attractive, but has not always encouraged rehabilitation or renovation.
- There has been a continuing supply of reasonably priced housing for sale. London has consistently had lower average house prices than any other large urban centre in Ontario.⁽⁹⁾
- London has had relatively high apartment vacancy rates (in buildings containing 6 or more units) over the last decade. The lowest levels were experienced from October 1976 (1.3%) to April 1978 (1.8%). At present, vacancy levels have risen again to 5.3% in April 1980 for public and privately initiated buildings and to 5.9% for privately initiated buildings of six units or more.

3.1 BACKGROUND

The City of London is the largest urban area in southwestern Ontario, with a population of 256,789 (1979, Assessment). The City is an important white collar employment centre for the region with a number of head offices in the fields of finance and insurance, as well as having the University of Western Ontario and Fanshaw College.

The strength of this function in the City stands out when a comparison of occupational distribution is made with the City of Windsor, for example.

TABLE 2

Percentage Distribution of 1971 Labour Force
in White Collar Occupations

(Census Canada 1971)

	<u>LONDON</u>	<u>WINDSOR</u>
Management and Administration	4.8	4.4
Engineering and Science	2.8	2.2
Law and Social Sciences	1.3	.9
Clerical	<u>19.3</u>	<u>16.3</u>
	28.3	23.8

London has a fairly diverse and healthy industrial base; population and employment growth have tended to be slow but steady over the past ten years.

A number of different population projections to 2001 have been prepared for the City in recent years, ranging from a low of 282,778⁽¹¹⁾ to a high of 400,000.⁽¹²⁾ The most recent population projection for London was prepared for the Environmental Assessment of the Glengowan Dam and it estimates the City will likely achieve a population of about 320,000 by 2001 (an increase of 25 percent). This means that about 24,000 new housing units will be required over the next twenty years, in addition to replacement stock required, and assuming an average household size of 2.8 persons.

This modest, but still healthy, growth projected for the City indicates that there may be a reasonably-sized market for core area housing in the future. A number of other demographic and economic factors will also influence demand in this area.

3.2 CURRENT REHABILITATION ACTIVITY

There is one major private sector renovation project underway in London at present. There have also been a number of owner-occupant renovations/conversions of older housing stock into office or office-residential use. The majority of this activity has taken place from Dundas Street north to Oxford Street and between Ridout and Adelaide Streets (Map 2).

The one large renovation project is being undertaken by Alcor Investments Limited. The firm has purchased 19 of 23 properties in the block bounded by Hyman Street on the north, Wellington Street on the east, Central Avenue and Victoria Park on the south, and Richmond Street on the west. The nineteen buildings either have been or are currently undergoing extensive renovation (Figure 3.2). Alcor intends to manage the properties over the long term. There are now a total of 94 rental units (mostly two bedroom apartments) with rents ranging from \$350 to \$1,250 per month (median around \$750). This would appear to be at the upper end of market rents in the City of London. The average rent for a two-bedroom apartment in October 1979 was \$250 and only 5.7 percent of all unit types rented for \$351 per month or more for the same period.⁽¹³⁾

Although detailed financial statements were not available for this study, Alcor officials stated that their renovation costs would be equivalent to those for new construction, on a square foot basis. However, the "going-in" cost was obviously much higher for the acquisition of existing buildings than for vacant undeveloped land.

The company is proposing additional new development on this block within the next five years. This will add another 160 apartment units (low-rise, medium density) and 40,000 square feet of office and retail space. Amendments to the zoning bylaw or Committee of Adjustment approvals were not required for the residential rehabilitation and conversion work. An official plan amendment and re-zoning will be required to allow the infill development.

As in Hamilton the publicly funded residential rehabilitation programs have been popular and successful in London, especially in the NIP areas on Map 2.

3.3 REHABILITATION POTENTIAL

The area of most significant rehabilitation potential lies north of Dundas Street as far as Oxford Street and falls between Ridout and Adelaide Streets (Map 2). This corresponds closely to the area where scattered renovations have taken place already. Generally speaking, the housing is large and the lots are also sizable enough to allow parking, landscaping and other zoning standards to be met (Figure 3.3).

However, unless rehabilitation achieves widespread popularity in the City, a number of other factors would appear likely to inhibit extensive rehabilitation and conversion activity in the near future.

First of all, this geographic area has for a long time attracted students as tenants and landlords willing to supply this market. Traditionally students rent at the low end of market and, consequently, only limited rehabilitation investment would be feasible to continue to service this market at affordable rents.

Secondly, as an area which has over the years attracted students and a more transient population, it has discouraged or become less attractive for families and other groups who might otherwise have moved into the core of the city. In turn the nature of municipal services has altered in the area. For example, several schools have closed and now children have to be bussed to more suburban facilities (Figure 3.5).

Thirdly, conventional housing prices have remained quite low in the London area, in comparison to those in the four other cities under study.

TABLE 3

Comparison of Average Single-Detached House Prices
July, August and September 1979

London	\$49,030
Hamilton	\$64,800
Ottawa	\$68,126
Windsor	\$71,034
Thunder Bay	\$60,265

Equally influential in stepping up the demand for rehabilitation are apartment vacancy rates and, as we indicated earlier, vacancy rates are quite high in the London area compared to those in other Ontario metropolitan areas. This means that there is little market encouragement for more innovative forms of housing, e.g., conversions, renovations, new medium density forms (Figure 3.4).

TABLE 4

Vacancy Rates in Apartment Structures
Publicly and Privately Initiated
Six Units and Over

	<u>October 1979</u>	<u>April 1980</u>
London	4.1%	5.3%
Hamilton	2.1%	1.9%
Kitchener	1.9	2.1%
Oshawa	3.6	2.6%
Ottawa	3.2	3.7%
St. Catherines-Niagara	2.0	2.8%
Sudbury	5.4	3.2%
Thunder Bay	1.2	1.0%
Toronto	1.0	1.1%
Windsor	1.3	3.1%

Source: CMHC, May, 1980

Fourthly, there is competition in some parts of the area to convert houses from residential to commercial use. This apparently has been difficult to control under the zoning by-laws⁽¹⁴⁾ (Figure 3.1).

3.4 ZONING

The City of London does not have a consolidated zoning map at the present time and zone boundaries are described by metes and bounds. This made quick interpretation of the zoning by-laws relatively difficult for this study.

From our discussions with City staff, however, zoning does not appear to impose a constraint on rehabilitation activity in London. The one area that arose as a concern was the conversion of residential properties to commercial use. In those cases, the applicants appeared to have difficulty in meeting by-law standards.

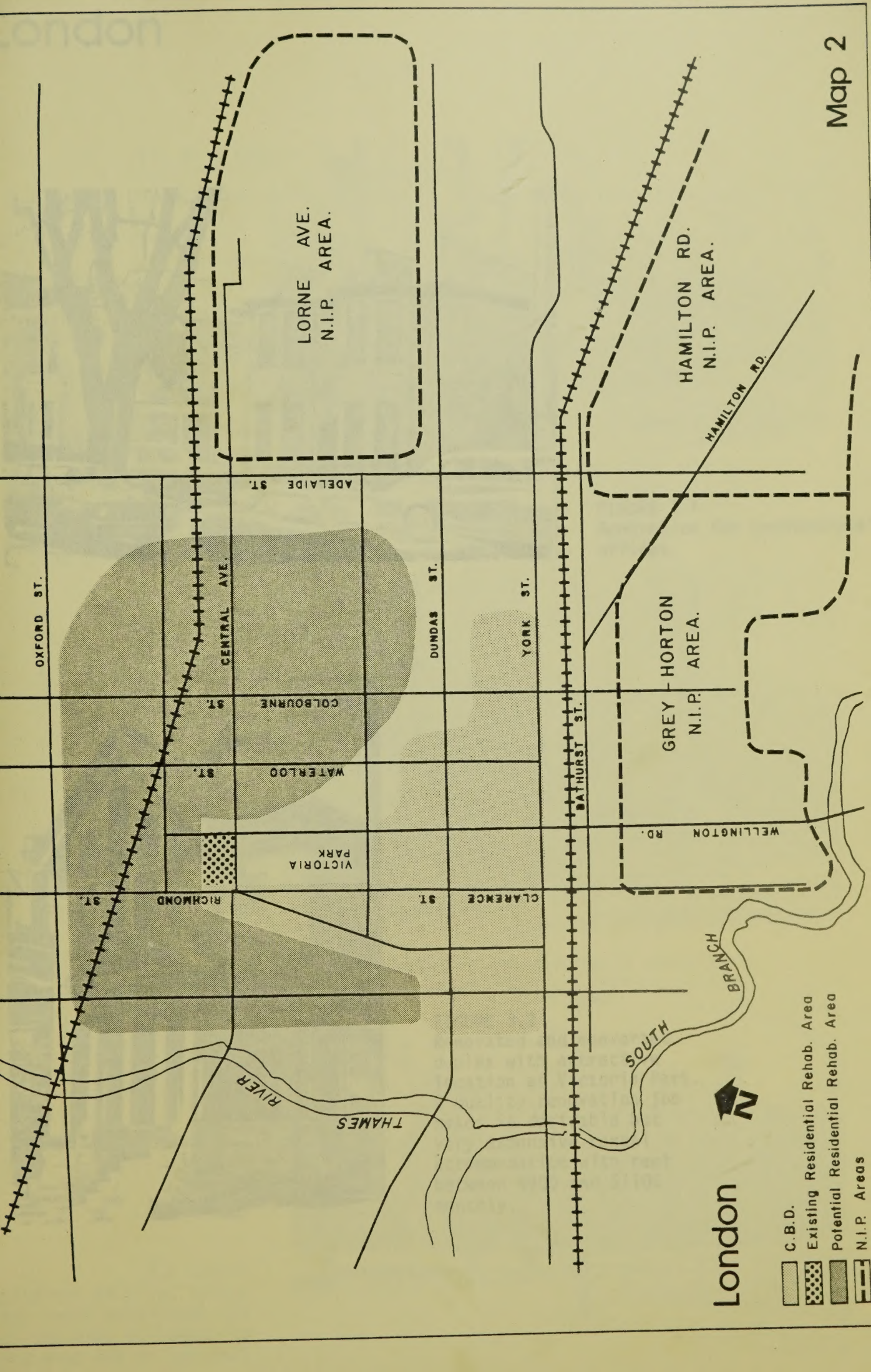




FIGURE 3.1
Renovation for professional
offices.

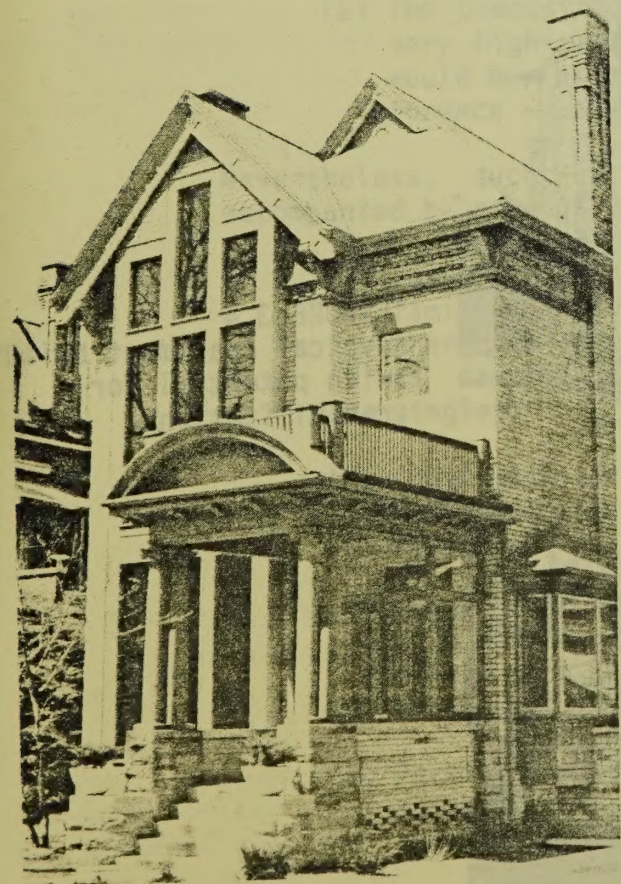


FIGURE 3.2
Renovated and converted
duplex with attractive
location at Victoria Park.
A quality renovation job
makes it desirable but
very expensive rental
accommodation with rent
between \$900 and \$1100
monthly.



FIGURE 3.3

Good stock of large old houses on large lots in the core indicates good physical potential for future conversion and renovation.

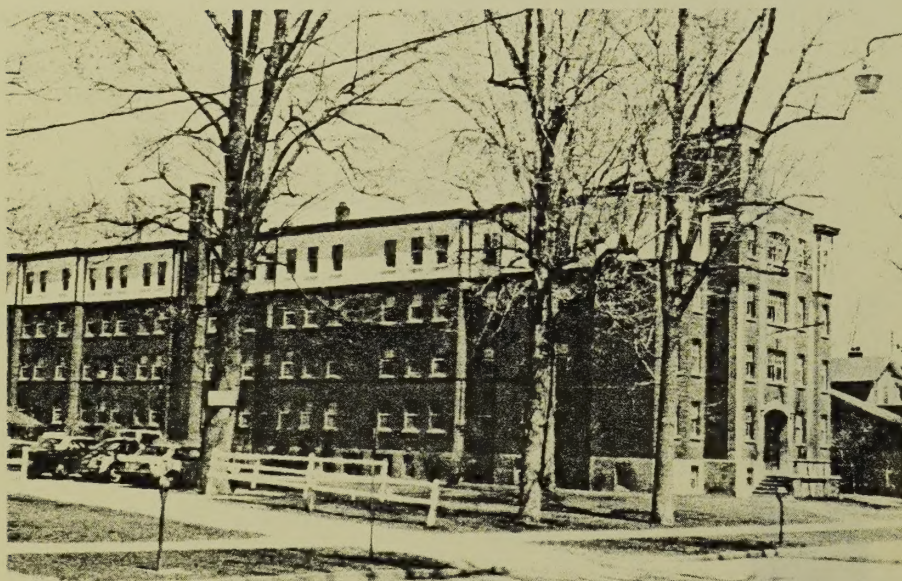


FIGURE 3.4

Typical apartment building with potential for rehabilitation.

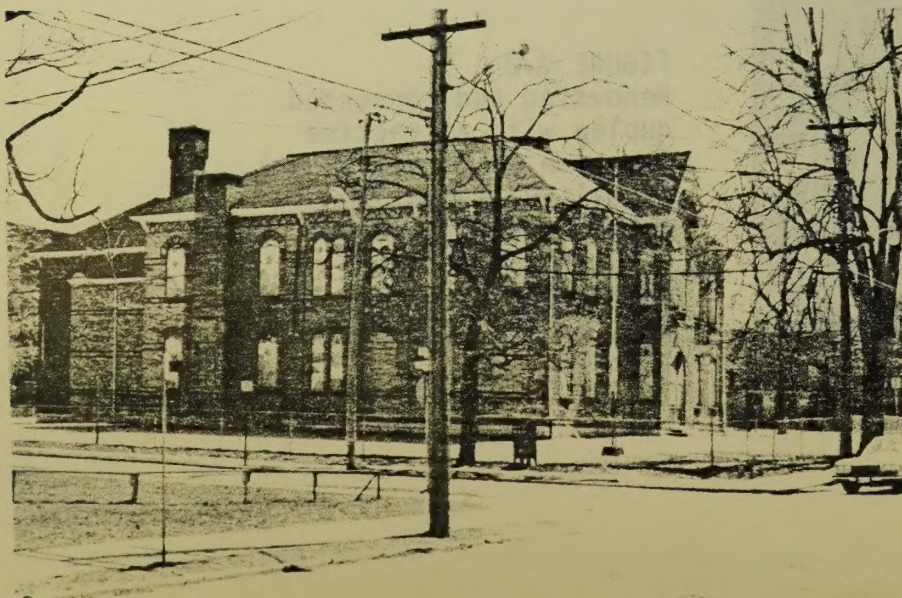


FIGURE 3.5

School building designated for demolition shows loss of community services for families in the core area.

4.0 CITY OF OTTAWA

Rehabilitation, renovation and conversion activity have all been strong in the City of Ottawa, especially in the last five years. It was the only city of the five investigated that had experienced substantial core area renovation. In contrast to the increased densities we anticipated finding from such renovation, the City of Ottawa has found that both dwelling units and population have been lost through the conversion and renovation process.⁽¹⁵⁾ Furthermore, most renovation activity has been directed toward the luxury market. And renovation for sale has been the target market -- with fully renovated singles fetching between \$100,000 and \$150,000.⁽¹⁶⁾

Without detailed study it is difficult to say conclusively why the renovation and conversion business has taken off in Ottawa and not elsewhere. Two factors, though, have certainly influenced this activity:

- (1) The down-zoning of Centretown and Sandy Hill neighbourhoods in the mid- to late sixties. This made investment in existing buildings more secure.
- (2) The composition of Ottawa's population with its very high proportion of white collar workers who would be influenced by changes in life style preference -- popularity of living downtown.

Nevertheless, such extensive renovation work has been accompanied by some unforeseen problems:

- (1) Conversion of rooming houses and other multiple-family buildings back into single family homes, thereby displacing low income households as well as causing a loss of affordable housing for singles.
- (2) Conversion of rental to owner-occupied properties resulting in a major loss of rental housing stock.
- (3) Lower population in some areas than previously, with attendant change in and sometimes decline in demand for existing community services (e.g., schools, day-care facilities and so on).
- (4) Parking and traffic problems on inner city streets. This is compounded in winter months by snow clearance difficulties.

- (5) Extensive paving over of rear-yards and therefore loss of private green space near the core.

4.1 BACKGROUND

The City of Ottawa had a population of 300,678 persons in 1979. The City has not been growing significantly in the last five or so years. Nevertheless, the Ministry of Treasury and Economics anticipates that the City will achieve a population of 346,247 persons by 2001. This represents a growth of about 52,000 persons in the twenty-five years between 1976 and 2001.

As the nation's capital, Ottawa has a very large percentage of its work force employed in the civil service, education, sales and other white collar fields. In 1971, these occupations represented over 72 percent of the total labour force. Its average household size had declined from 3.5 in 1966 to 2.6 in 1976, and the number of single person households increased by 150% from 1966 to 1976.

Housing prices have remained quite high in Ottawa -- \$68,126 (1979) -- in comparison to prices in other centres studied. And apartment vacancy rates have increased over the past 5 years as well, indicating perhaps why there has not been a lot of entrepreneurial interest in rehabilitation for rental units.

TABLE 5

Apartment Vacancy Rates
City of Ottawa
(Publicly and Privately Initiated, Six Units and Over)

	<u>April</u>	<u>October</u>
1976	1.9%	1.9%
1977	1.7%	1.2%
1978	1.2%	2.5%
1979	2.2%	3.2%
1980	3.7%	-

Source: CMHC, May, 1980

4.2 CURRENT REHABILITATION ACTIVITY

There are presently two Neighbourhood Improvement Areas close to the central business district -- Centretown and Lower Town West (see Map 3). RRAP and OHRP funds are being extensively used in each area to rehabilitate single family homes. The Lower Town East area underwent a lot of re-development and rehabilitation activity in the late sixties and early seventies.

Rehabilitation in the Lower Town West area appears to have stimulated interest in the housing immediately south around the Byward Market. Consequently, renovation and conversion of some properties in that locale has begun.

However the two major areas undergoing renovation at present are Sandy Hill and Centretown. Both contain larger older brick housing suitable for extensive reworking. Row housing (Figure 4.3) has also been very popular for renovation and sale by smaller builder-developers.

4.3 REHABILITATION POTENTIAL

Unrenovated properties are becoming much more expensive to purchase in either Sandy Hill or Centretown, making it more difficult for a small builder to operate profitably there. There are also some properties (Figure 4.4) which, because of their immediate context, will never be suitable for rehabilitation. Consequently there has been a resurgence of interest in the Glebe area, south of the Queensway, although this too is primarily renovation and conversion for one and two family use. There has been serious ratepayer opposition to zoning allowing greater densities and portions of the neighbourhood were recently down-zoned from R4 to R3.

Westboro, parts of Sandy Hill and Ottawa South will likely see more renovation activity in the next five years. Also the renovation of heritage properties (Figure 4.5) should remain popular.

There are a number of older apartment buildings in Centretown and Sandy Hill which have the physical potential for rehabilitation (Figure 4.6). In time (with changes to rent review and financing costs) these properties may become popular for rehabilitation or renovation.

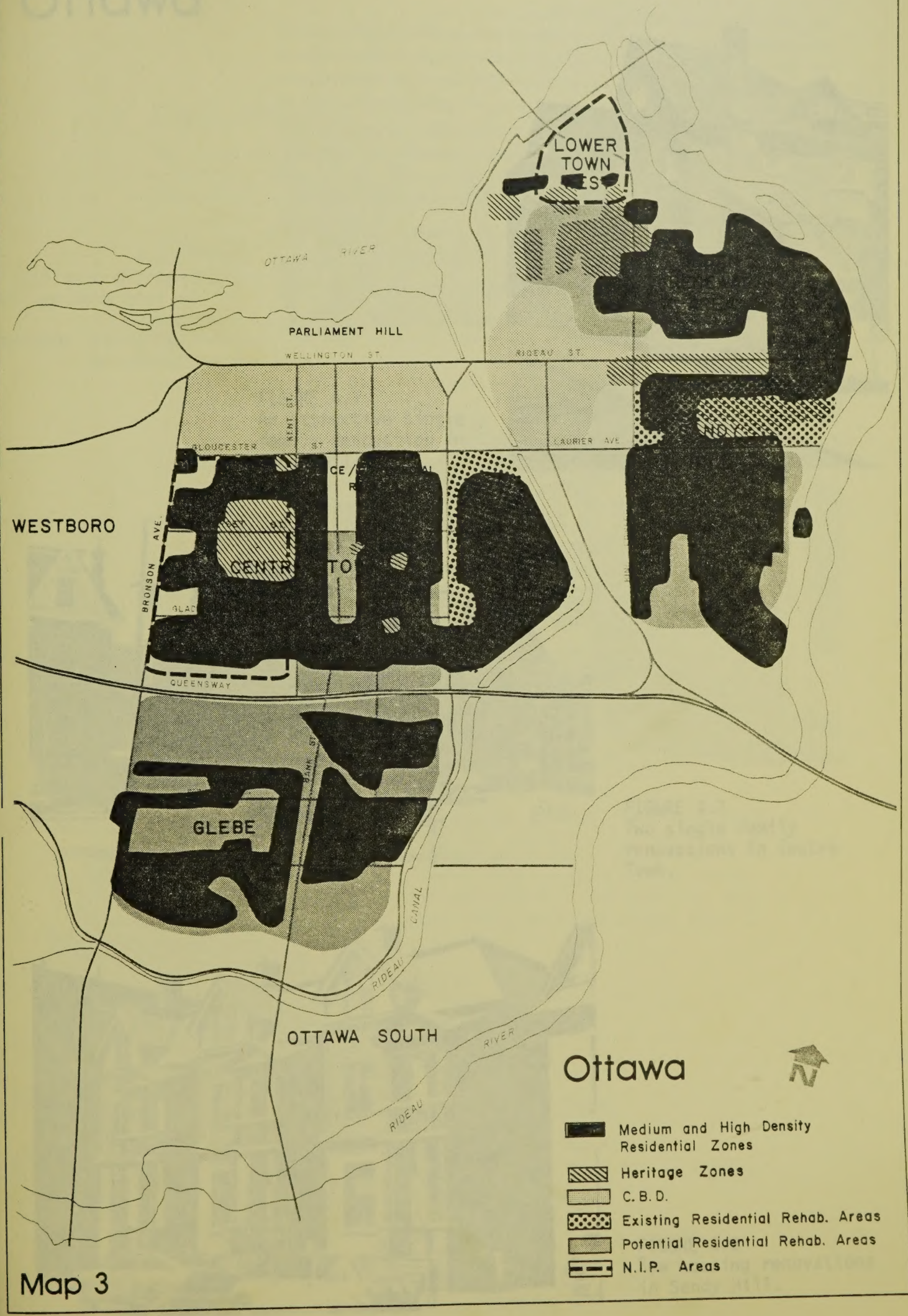
4.4 ZONING

Zoning has had an influence on rehabilitation in Ottawa. The down-zoning of areas in Centretown and Sandy Hill made them more attractive for investors. Also the Heritage Zoning Bylaw which allows exemption from certain standards for the rehabilitation of heritage properties has encouraged interest.

However, there does appear to be a negative reaction to the pre-zoning of areas for conversion (as in the Glebe) and experience in Ottawa might be reflected elsewhere across the Province in the future.

Again the zoning issue of most concern to both local officials and people in the private sector was the zoning standards. Parking and other requirements (like side yard, setbacks etc.) were considered too stringent for inner city rehabilitation work. The City has established a committee to examine some of the specific development problems related to rehabilitation.

Another area of interest might be the "group building" zones Ottawa has established to encourage infill development in the City. There are examples where this designation has been used to build new housing that is compatible with older stock.



Map 3

Ottawa

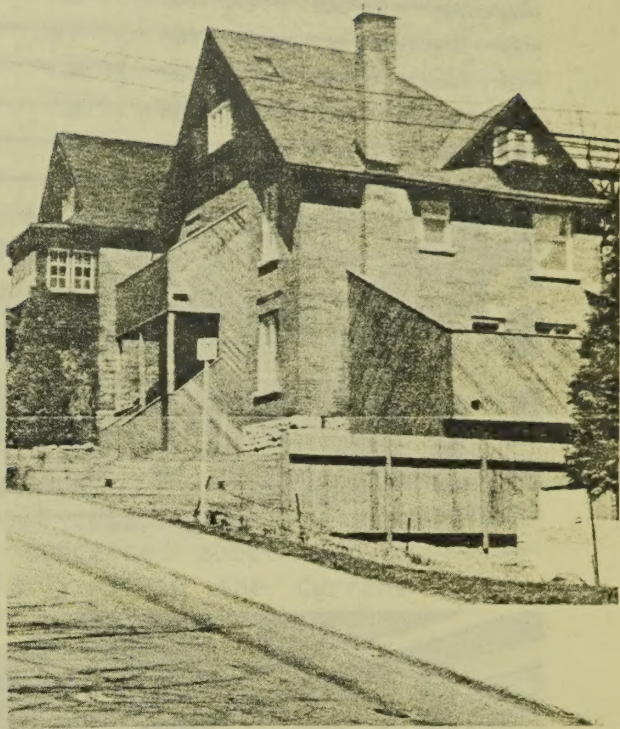


FIGURE 4.1
An attractive single
family renovation in
Sandy Hill.

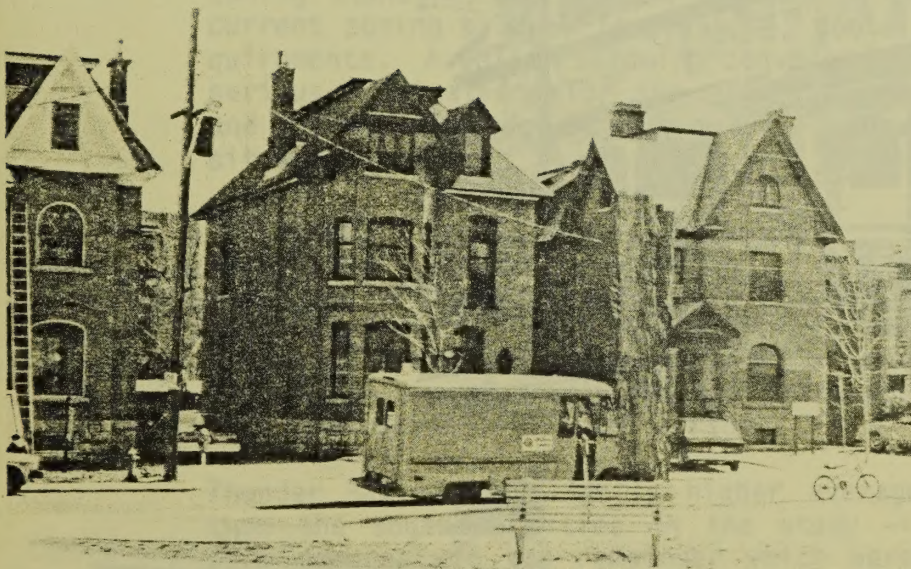


FIGURE 4.2
Two single family
renovations in Centre
Town.



FIGURE 4.3
Row housing renovations
in Sandy Hill.

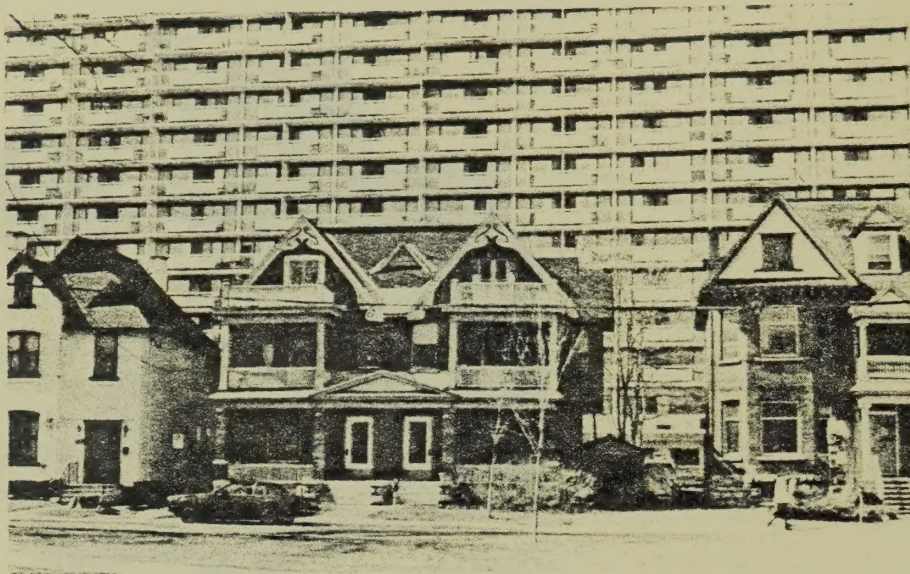


FIGURE 4.4
Incompatible densities
in the core area may be
a deterrent to
rehabilitation, despite
a good location.

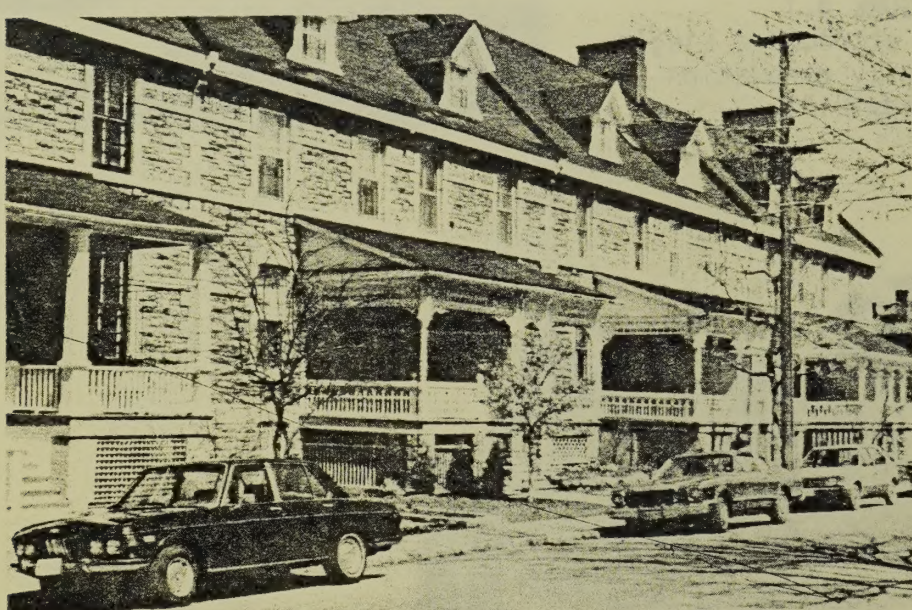


FIGURE 4.5
Heritage-value row
housing in Ottawa's
Lower Town. Good
potential for rehabili-
tation.

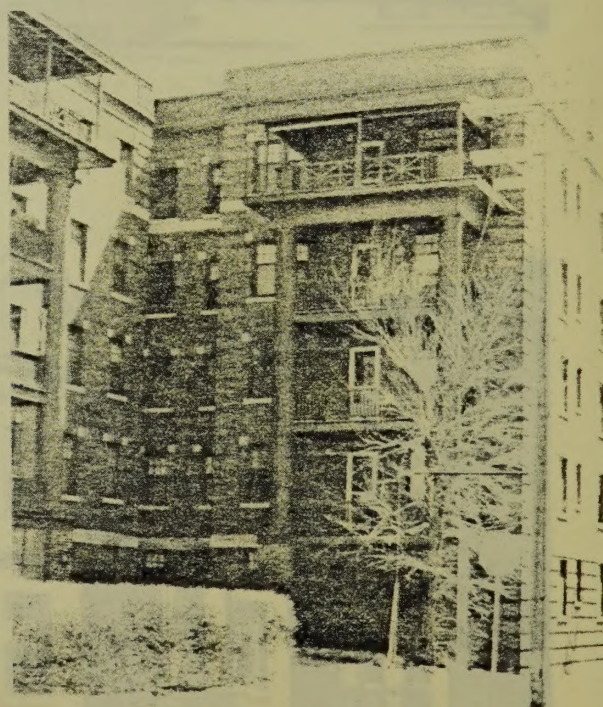


FIGURE 4.6
A Centre Town apartment
building with physical
potential for rehabilitation.

5.0 CITY OF THUNDER BAY

The City of Thunder Bay has experienced little renovation activity. Only a few properties on the fringe of the North Core (Port Arthur) have been extensively improved.

There has been high demand for OHRP and RRAP funds, however, and the residential rehabilitation program remains very successful.

Extensive conversions have also been carried out in Thunder Bay -- most to add illegal basement apartments to single family dwellings. Officials are concerned about how to handle this problem -- particularly since the current zoning bylaws are outdated and in most areas the zoning bears no resemblance to what is on the ground. In fact, certain areas have been pre-zoned for very high density development (see Map 4).

Zoning standards are also a problem in Thunder Bay. The current zoning bylaws, for example, contain no parking requirements. A policy allowing conversions might have quite serious implications for the community as a whole if this and other standards are not modified to reflect the urban situation.

5.1 BACKGROUND

The City of Thunder Bay presently has a population of 112,053 persons (1979, Assessment). The Ministry of Treasury and Economics projects a 2001 population of 130,446 -- a relatively modest increase over the City's 1976 population of 107,825 persons.

Thunder Bay has a slightly higher average household size than the southern cities in the study -- 3.1 persons in 1976 compared to the remainder which were all below 3.0. Thunder Bay also has a very high proportion of owner-occupied compared to rental households. In 1976, 71 percent of all households owned their dwelling units; only 29 percent rented.

TABLE 6

HOUSEHOLD TENURE, 1976

CENSUS CANADA

<u>City</u>	<u>Owner</u>	<u>Tenant</u>
Hamilton	57.6	42.4
London	55.1	44.9
Ottawa	38.7	61.3
Thunder Bay	71.0	29.0
Windsor	66.2	33.8

Consequently, overall the demand is not as large for rental accommodation in Thunder Bay as it is in the other cities, and housing prices are significantly less than in Ottawa, Windsor and Hamilton. Nevertheless apartment vacancy rates remain quite low, as shown on Table 7, below.

TABLE 7
Apartment Vacancy Rates
City of Thunder Bay
(Publicly and Privately Initiated, Six Units and Over)

	<u>April</u>	<u>October</u>
1976	0.4%	0.2%
1977	0.1%	0.2%
1978	0.8%	1.0%
1979	1.0%	1.2%
1980	1.0%	-

Source: CMHC, May, 1980

City officials believe that this has contributed to the illegal conversion of many houses in or close to the core.

5.2 CURRENT REHABILITATION ACTIVITY

There are two NIP areas close to both central business districts in Thunder Bay -- Ogden East and Bay-Second (Maps 4 and 5 respectively). Both areas have undergone extensive residential rehabilitation, but in both cases the housing stock (size and quality) does not lend itself to extensive conversion (i.e., increase in the number of dwelling units).

In the South Core (Fort William) there are two relatively small areas close to the CBD which have housing suitable for renovation or conversion. In the North Core, the neighbourhoods east of High Street have seen some renovation and have the potential for further conversion and work in this area.

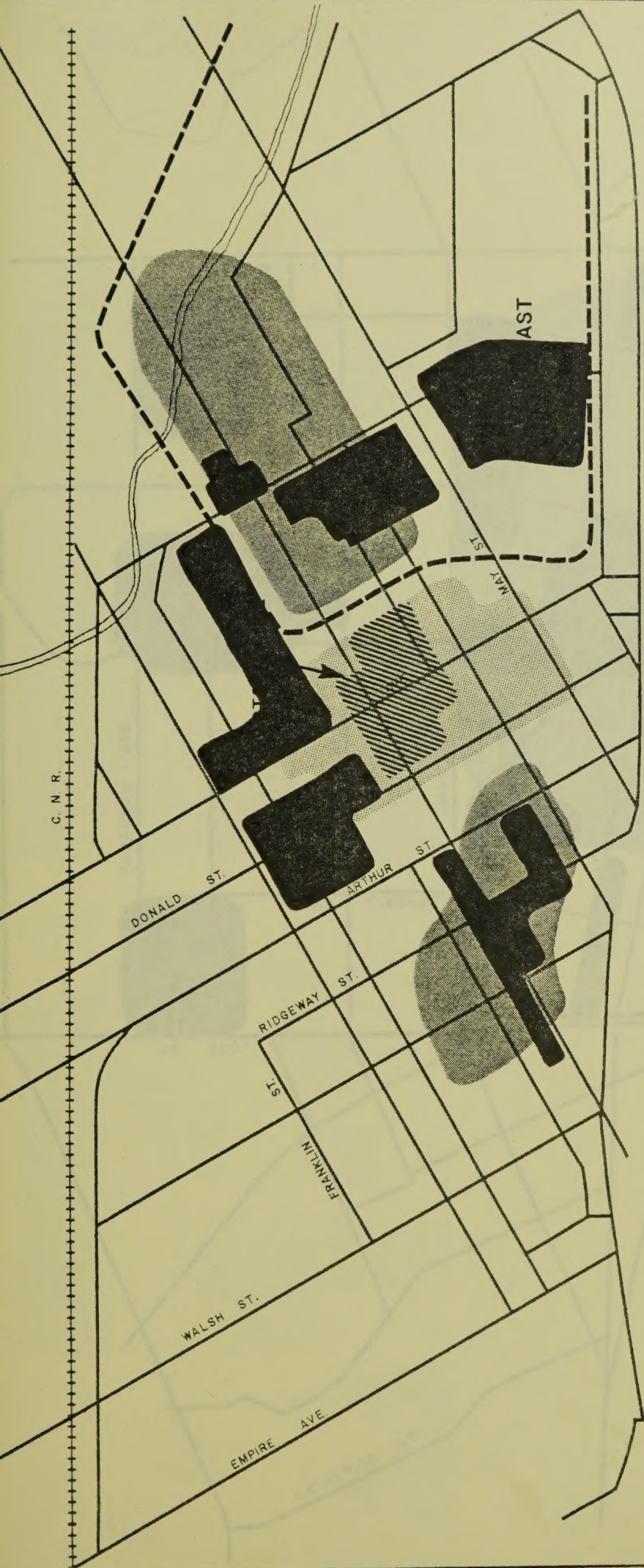
5.3 REHABILITATION POTENTIAL

The greatest potential in Thunder Bay lies in the rehabilitation of owner-occupied dwellings. There does appear to be a need for affordable rental accommodation (especially for singles and transients⁽¹⁷⁾), but it is unlikely that this can be met solely or even largely through the conversion of older housing stock.

5.4 ZONING

The City is about to draft a new zoning bylaw. One of its main objectives will be to encourage greater residential density adjacent to the core. The emphasis will, however, be on achieving this through redevelopment, rather than rehabilitation.

Thunder Bay
South Core



Thunder Bay South Core



- Medium and High Density Residential Zones
- C.B.D.
- Potential Residential Rehab. Areas
- N.I.P. Area



Thunder Bay North Core

- Medium and High Density Residential Zone
- C.B.D.
- Potential Residential Rehab. Area



Thunder Bay

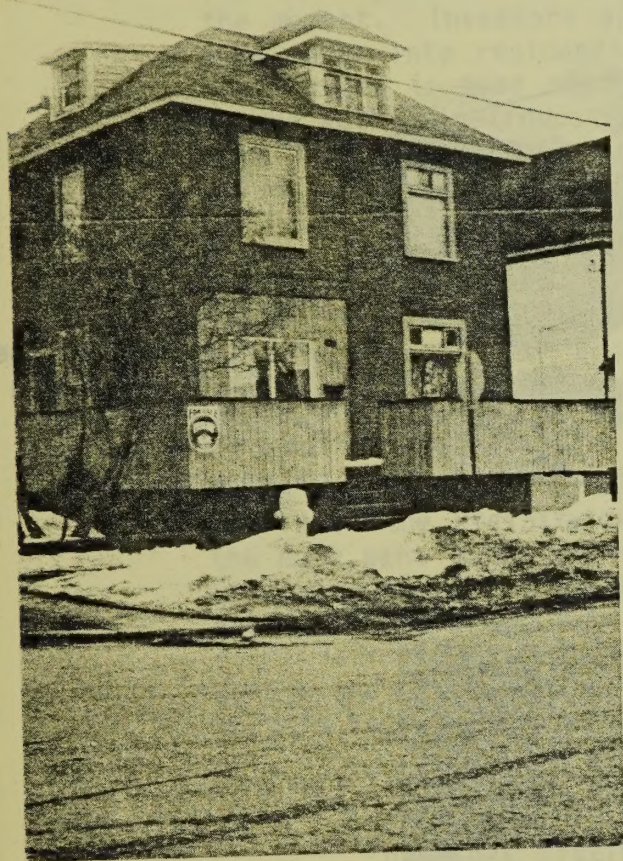


FIGURE 5.1
A renovated house near
the North Core.

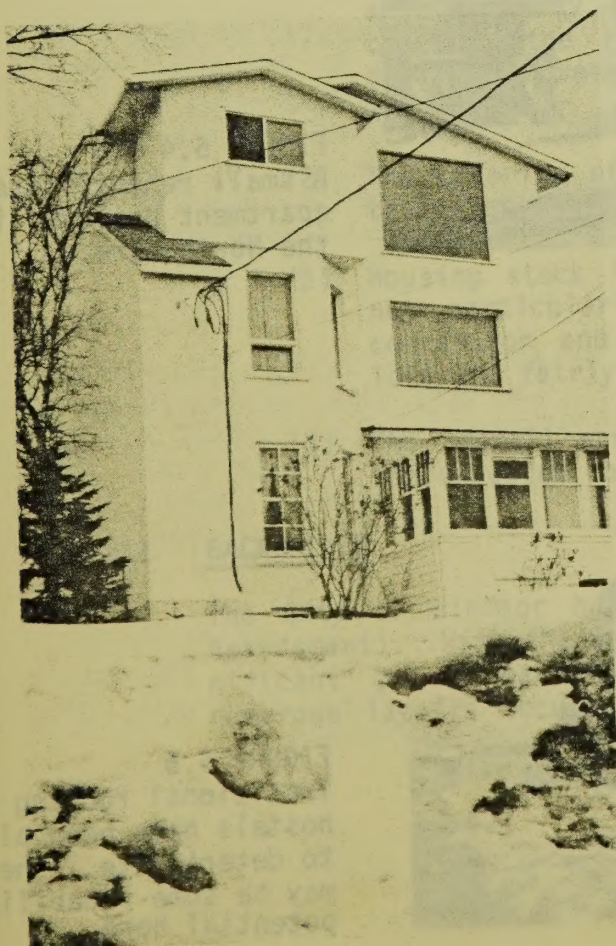


FIGURE 5.2
Another renovated house
with apartments near the
North Core

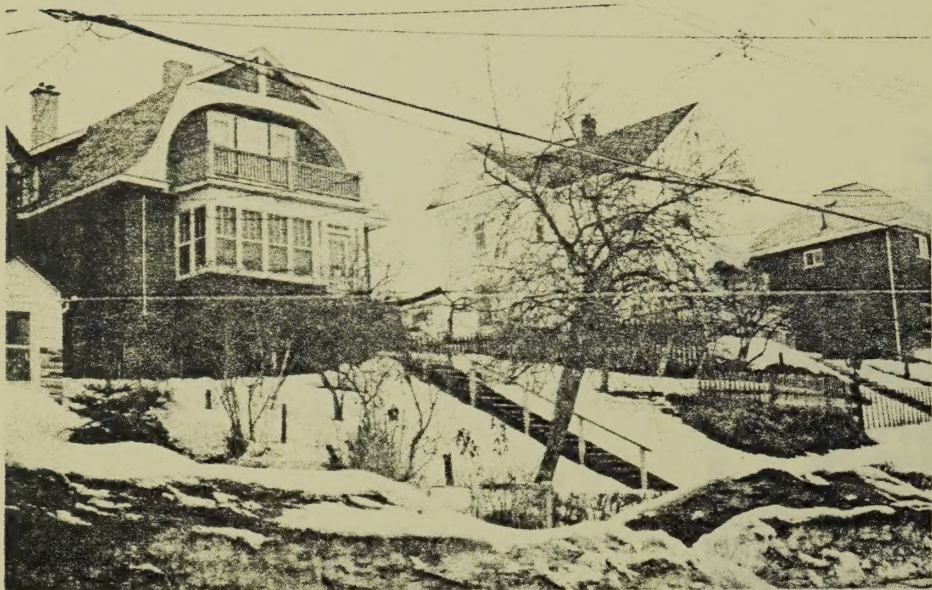


FIGURE 5.3
Larger houses on the
fringe of the North Core
with potential for
rehabilitation and
conversion.



FIGURE 5.4
A small rehabilitated
apartment building in
the North Core.

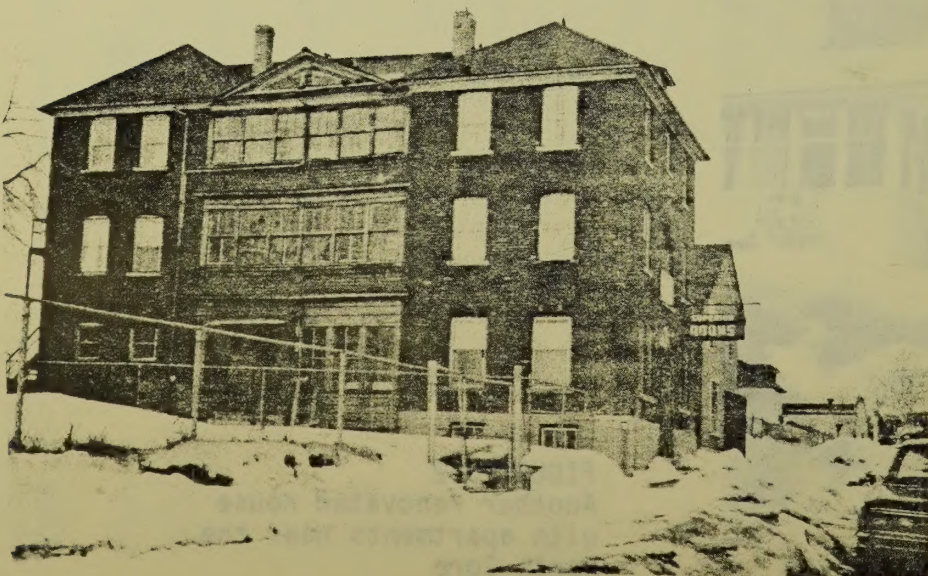


FIGURE 5.5
Traditional rooming ho-
stels have been allo-
to deteriorate. There
may be some rehabilita-
potential here.

6.0 CITY OF WINDSOR

The housing market in the City of Windsor is depressed at the moment. Investors are unlikely to be willing to sink more money into residential construction or rehabilitation until there is some adjustment or levelling out of layoffs in the automotive industry. For this reason, also, statistics from 1976 to 1979 may be quite misleading in terms of a future perspective.

Windsor has not experienced any major renovation activity. The Chatham Road area, with five commercial and residential properties, is the one place where some major improvements have occurred. RRAP and OHRP programs, though, have been very successful and there will be a continuing demand for funding.

There has been some conventional conversion activity, especially in the vicinity of the University of Windsor. For the most part these are minimum, or less than minimum standard, conversions. There has been very little interest in any major rehabilitation or renovation for rental purposes.

Zoning and several other factors appear to have contributed to this lack of interest:

- (1) Significant areas of the core and near-core are zoned for high-use development (Map 5). This provides little security for the small investor to rehabilitate or renovate, when a high-rise apartment may suddenly appear next door. Furthermore the returns from new development (at greatly increased densities) are probably more attractive.
- (2) The majority of households in Windsor own rather than rent their accommodation.
- (3) Housing stock in and close to the core area is not particularly suitable for multiple family conversion and rehabilitation. The houses and lots are fairly small.
- (4) The overall economic climate is not good and is not expected to improve soon.

6.1 BACKGROUND

The City of Windsor has a population of 198,722 (1979, Assessment). With the projected Ford plant expansion, significant growth had been expected. At present, with numerous layoffs occurring, it is expected that Windsor's

population will increase only moderately in the foreseeable future. The Ministry of Treasury and Economics was projecting a population of 236,916 by 2001 -- an increase of 19% from 1979.

Both 1979 house prices and apartment vacancy rates reflected the anticipated surge in growth. Average house prices were the highest of all five cities at \$71,034 (\$3,000 higher than Ottawa and \$22,000 more than London). Apartment vacancy rates hovered around one percent in October, 1979, last year, but now are close to 6 percent according to recent articles in the local newspaper (Windsor Star).

There is also a large inventory of suburban land available in Windsor and the surrounding area: at least 10,000 units are planned, approved or under construction.

6.2 CURRENT REHABILITATION ACTIVITY

Most residential rehabilitation in and around the core has taken place in the Glengarry Neighbourhood Improvement Area, with the assistance of RRAP and OHRP funding.

More extensive renovations have occurred just east of Ouellette Avenue along Chatham Street (see Map 6). Figures 6.1 and 6.3 show two of the five or so properties which have been renovated. All are close to the core area, but the amount of housing of similar quality and in the same location is limited.

Figure 6.6 portrays an old warehouse, situated on Riverside Drive overlooking Detroit, which will be converted into offices in the near future. Commercial conversions may, in fact, increase in popularity in the Windsor area.⁽¹⁸⁾

There have been very few projects undergoing rehabilitation for residential rental purposes. Figure 6.2 indicates one.

6.3 REHABILITATION POTENTIAL

There may be some limited potential for further renovation in the Chatham Street area. The main areas of the future, however, lie to the east in Walkerville (Figure 6.5) and to the west around the University of Windsor (Figure 6.4). In both instances the quality and size of housing would allow for both rental and owner-occupancy of rehabilitated or renovated properties.

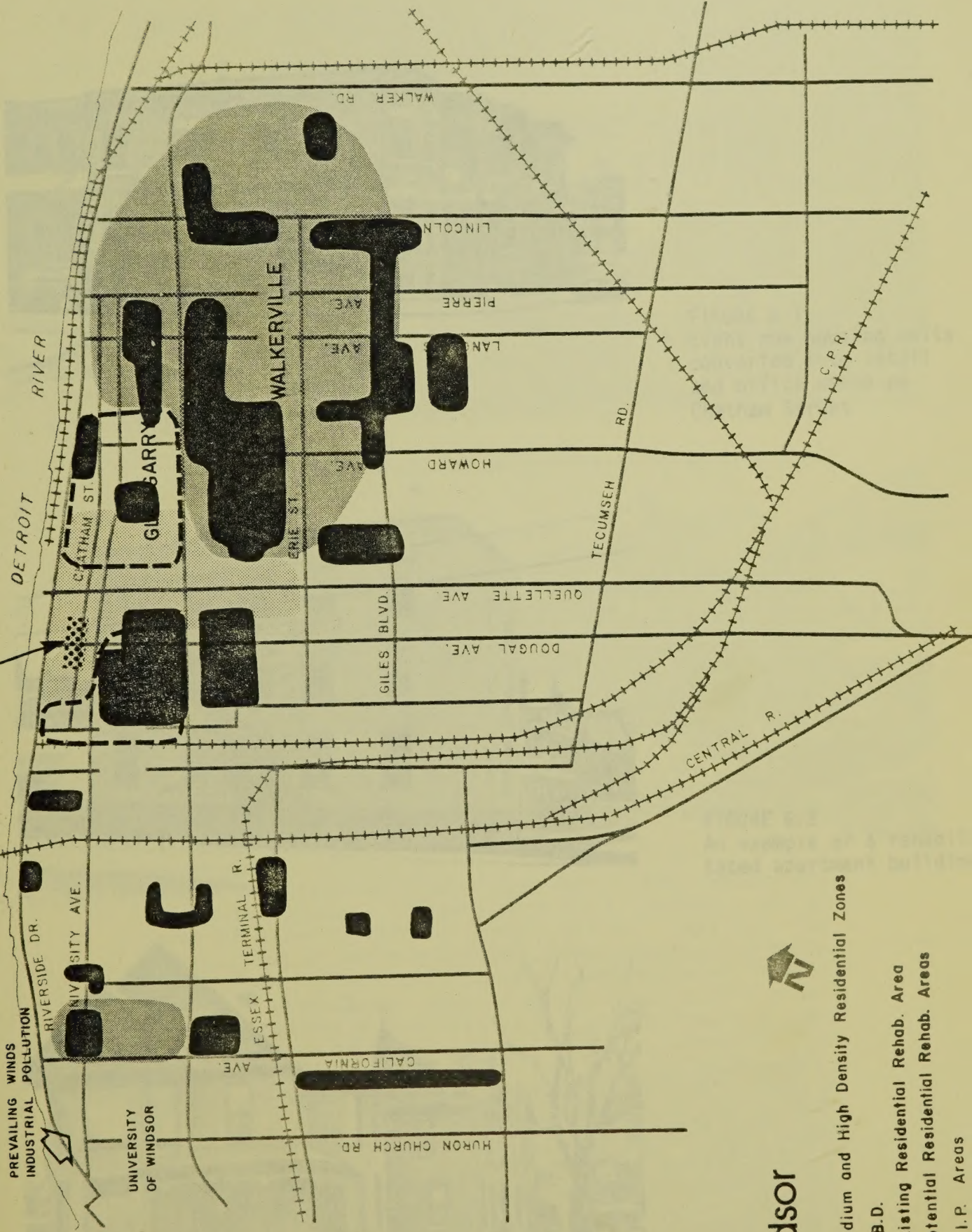
Air pollution may be a major deterrent to extensive re-investment in the area surrounding the University. The prevailing winds blow from Jug Island (garbage disposal), on the Detroit side of the river, toward Windsor.

Extensive private sector rehabilitation or renovation over the short term will likely be prevented by the limited housing rental and sales markets caused by local economic conditions.

6.4 ZONING

Zoning has played a role in discouraging rehabilitation in certain parts of Windsor. Sizable areas have been designated for R3 use which permits high density development. (Map 6)(19) This form of pre-zoning has had a dampening effect on rehabilitation or renovation by, in effect, encouraging property owners to hold property for redevelopment (with potentially higher returns) rather than rehabilitation.

The zoning in the University and Walkerville areas will permit rehabilitation and, to a certain extent, multiple family use of properties. The parking standards, as well as some of the other low density residential standards, may require modification if conversion is to be actively promoted.



Windsor



- Medium and High Density Residential Zones
- C.B.D.
- Existing Residential Rehab. Area
- Potential Residential Rehab. Areas
- N.I.P. Areas

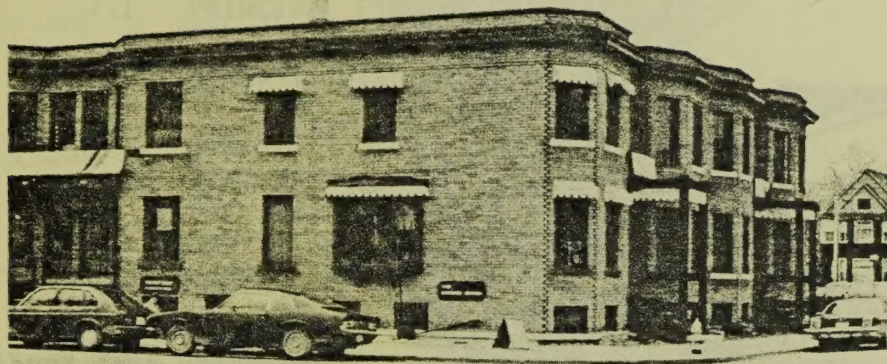


FIGURE 6.1
Eight row housing units
converted into retail
and office space on
Chatham Street

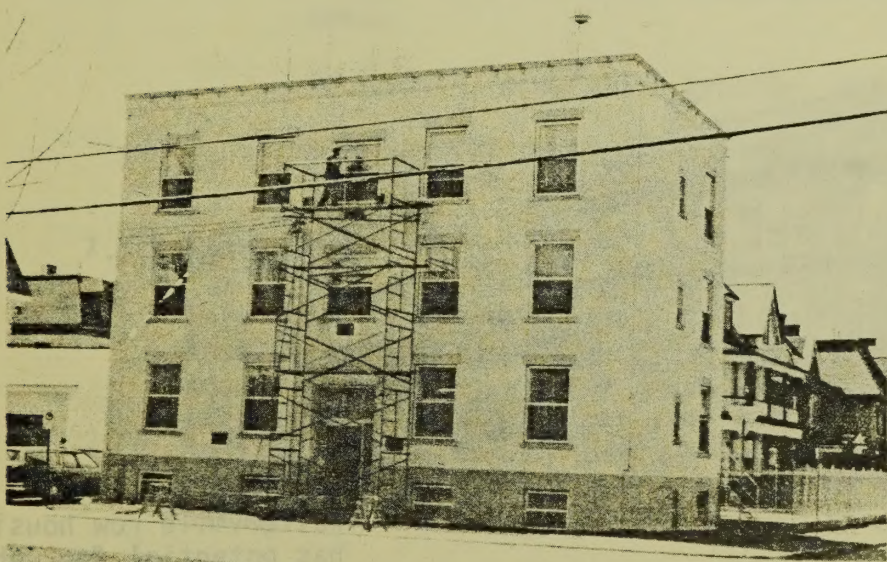


FIGURE 6.2
An example of a rehabili-
tated apartment building



FIGURE 6.3
Renovated residential
property on Chatham
Street



FIGURE 6.4
University area housing
with potential for rehab-
ilitation. Extensive
conversions have already
taken place.



FIGURE 6.5
Walkerville row housing
has potential for rehab-
ilitation or renovation



FIGURE 6.6
Example of a warehouse
about to be converted
into office space on
Riverside Drive.

7.0 FINDINGS AND RECOMMENDATIONS

7.1 PRINCIPAL FINDINGS

7.1.1 Rehabilitation:

Rehabilitation activity has occurred extensively in the five cities visited, both with and without public funding. The Ontario Home Renewal Program and the Residential Rehabilitation Assistance Program have been successful and demand for such funds will likely continue.

7.1.2 Renovation:

The renovation of older housing has not occurred to any significant degree other than in Ottawa (and Toronto). In Ottawa (and Toronto) extensive renovation activity has resulted in:

- . overall loss of rental accommodation in or near core areas;
- . decrease in population density; and
- . displacement of lower income groups by middle and upper-middle income groups.

7.1.3 Conversion:

This is an on-going activity in urban areas, occurring as housing becomes obsolete or uneconomic for certain purposes. In most core areas, conversions do not necessarily mean loss of housing stock flexibility. At any one point in time a house may be used as a single family dwelling, a rooming house or a "plex" containing several dwelling units.

In all the cities visited, legal and illegal conversions have taken place. Illegal conversions, however, are an issue of grave concern in certain cities. Hamilton, for example, has an estimated 10,000 illegal conversions below the mountain. There are a number of unplanned-for impacts from such development, such as parking and traffic problems. Consequently, conversions will likely remain a controversial item at the municipal level.

7.1.4 Rehabilitation or Renovation for Rental:

This has primarily been a homeowner activity with the owner (legally or illegally) adding a basement apartment or a flat on the second floor. Few entrepreneurs (e.g., contractors, builders, developers) are involved on a full-time basis in the rental of rehabilitated or renovated properties.

7.1.5 Zoning:

This factor is less important than it was initially thought. In most areas in or immediately adjacent to the core, multiple family use of older residential properties is permitted. Standards, like parking requirements, setbacks and so on, may be more appropriate to new housing, than to the rehabilitation of older inner-city dwellings. The necessary adjustment of standards may slow down rehabilitation activity, but should not prevent it.

In some instances, zoning may have a positive influence on rehabilitation. The heritage zones in Ottawa encourage the rehabilitation of heritage properties by dropping or modifying certain inappropriate standards, such as parking requirements.

7.1.6 Other Factors Influencing Rehabilitation:

A complex set of community planning factors influence the magnitude and type of rehabilitation activity, particularly for rental purposes, in any given urban centre. Zoning is only one of these factors; the other main ones are:

- financing -- the high cost of borrowing money to purchase and to rehabilitate a building;
- rent review -- the amortization of rehabilitation/renovation costs over long periods of time, as well as the potential gap in rents between rehabilitated and unrehabilitated older properties;
- location -- a critical factor in attracting a purchaser or renter, with proximity to the core area and public transit important influences;
- quality and size of housing stock -- the housing has to be worth the rehabilitation investment and should not normally require major structural work. Size is important if conversion is being considered;
- building and fire codes -- these may place undue constraints on the type of rehabilitation or renovation work to be carried out, since they are directed primarily at new construction rather than rehabilitation.
- market -- local attitudes toward inner city living, whether there is an active core to attract people and so on, will influence the type of rehabilitation activity going on. While apartment vacancy rates may be one factor, there is not necessarily a direct relationship between low vacancy rates and high rehabilitation or renovation activity.

7.1.7 Future Market Demand:

Rehabilitation will continue to be popular among certain segments of the market, but it will not fulfill a major portion of the future housing demand -- opportunities for and the costs of conversion will limit the amount of activity in this area in the immediate future.

7.1.8 Community Planning Issues:

An important aspect of rehabilitation, renovation or conversion activity are the impacts which occur on the surrounding community. For example, in Hamilton the increased density from illegal conversions has created massive parking problems. In most cases, such changes have not been planned for. Other possibly significant community planning concerns are:

- displacement of low income residents;
- loss of rental accommodation, especially for persons with moderate incomes;
- decrease in population density and/or change in composition resulting in changing utilization of community facilities and services;
- overburdening of sewer and water systems;
- overburdening of local roads and streets;
- change to the streetscape and possible loss of low/medium density residential character.

7.2 RECOMMENDATIONS FOR FURTHER WORK

The following recommendations are directed toward developing a better understanding of rehabilitation activity in general, before the Ministry commits itself to major policy and program directions in this field.

At present within the Ministry the emphasis is on the building or technical aspects of rehabilitation of individual structures, e.g., improving the construction trades' skills, revising the Building Code. The community planning implications of extensive rehabilitation, renovation or conversion activity have not been adequately assessed. Yet, as indicated in this report, the effect of such change on the surrounding community may be both serious and unanticipated.

7.3 COMMUNITY PLANNING RECOMMENDATIONS

The Community Planning Wing should begin work to assess the community planning impacts of rehabilitation, renovation and conversion activity. This should include an evaluation of the positive and negative impacts on hard and soft services, the changes to the socio-economic structure of the community and the implications for municipal planning practice. This work could involve:

- a case study or case studies examining the potential impacts on servicing, demographic composition and housing needs;
- an examination of the viability of combining rehabilitation and new development in core or near core areas -- what special problems, what solutions;
- development of alternative appropriate zoning standards for both rehabilitation and infill development in core areas;
- a study of the role of the Committee of Adjustment in dealing with rehabilitation activity;
- development of possible financial incentive packages to stimulate private sector involvement in rehabilitation for rental (see Appendix C memo);
- a review of urban design and architectural issues related to the potential physical impact of rehabilitation at the community level.

NOTES

1. During the study, the way we defined rehabilitation changed. The definitions now employed closely reflect those in use by the Association of Municipalities of Ontario (AMO) in its report, Residential Conversion in Ontario, published in April 1980.
2. W.G. Anderson, Residential Rehabilitation and Conversion: The Business of Housing Renovation in the City of Toronto, February 1980.
3. Ministry of Housing, Rehabilitation and Conversion: Background Report, August 1979.
4. Ibid.
5. Through experience gained under RRAP and OHRP.
6. The Region is comprised of Ancaster (14,107 persons), Dundas (19,266), Stoney Creek (33,896), Flamborough Twp. (24,018) and Glanbrook Twp. (9,934) in addition to the City.
7. Paul Wright, "Housing land supply picture looks bright for the future", Hamilton Spectator, March 15, 1980.
8. Conversation with John Robinson and Norm McMenemy, May 1980.
9. The July, August, September average SFR price was \$49,030 in London compared to \$60,265 in Thunder Bay, \$64,800 in Hamilton, \$68,126 in Ottawa, and \$71,034 in Windsor. CMHC Quarterly Statistics.
10. CMHC, Rental Apartment Vacancy Survey for the City of London, October, 1979 (May 1980, Update).
11. Ministry of Treasury and Economics
12. London Department of Community Services, Housing in London, 1978.
13. Policy and Program Development Secretariat, Rental Market Survey, Ministry of Housing, October 1979.
14. Department of Community Services, Housing Study 1976, City of London, p.13.
15. See two City of Ottawa reports: Instability and Tenant Displacement within the Inner-City Rental Market and Demographic and Housing Changes in Ottawa-Carleton.

16. Gary Weiss, "Executive Privilege" from Canadian Business, April 1980 (p.114).
17. Conversation with T.B. McCormick, April 1980.
18. David Novick and Don Snider both said that commercial conversions are financially more viable than residential ones.
19. City of Windsor By-law No. 728:

R3 zone permits:

- one family dwellings;
- two family dwellings (semi and duplex);
- double duplex (quadruplex);
- group housing (a series of more than 2 attached one-family dwellings divided vertically);
- multiple dwelling (a residence for 3 or more families, other than a double duplex);
- apartment house;
- apartment hotel;
- boarding house;
- lodging house;
- private hotel;
- a large variety of institutional uses.

APPENDICES

APPENDIX A

LIST OF PERSONS INTERVIEWED

Hamilton

Victor Abraham, Director of Local Planning
Leonard King, Deputy Building Commissioner
John Robinson, Urban Renewal Coordinator
Norman McMenemy, NIP Coordinator

London

L.E. Draho, Director of Planning
H.A. Pulver, Director of Housing and Program Evaluation
Lloyd Bishop, Alcor Investments
Andrew Wells, Alcor Investments

Ottawa

John Carol, Director of Development Control
Robbie Robertson, Urban Policy and Research
Ron Kellestine, Urban Policy and Research
Jacques Cloutier, Community Development
Pierre Grandmaitre, Director, Community Development
Jim Moorman, Property Standards Officer
Terry Guilbault, Guilbault Developments Inc.
Gwyn Simmons, Manager, Ottawa City Non-Profit Housing

Thunder Bay

T.B. McCormick, Urban Renewal Coordinator
J.G. Kirkwood, Chief Building Inspector
I.P. Harper, Director of Community Planning and Development
D. Manihan, Senior Planner

Windsor

Jack Boyer, Property Director
John Glos, Chief Building Inspector
Bob Hayes, Senior Planner
David Novick, David Novick Associates
John Coleman, Windsor Star
Don Snider, Snider Real Estate and Insurance

APPENDIX B

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APPENDIX C

MEMORANDUM

Ontario Ministry
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Project Planning Branch

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1980-05-20

File #12-SP/100

Memorandum to: File

Re: Financial Incentives for Rehabilitation
and Conversion

Introduction

While zoning may be considered to be one possible obstacle to rehabilitation activities in many communities, in today's economic climate there are other more serious obstacles present.

Especially if rehabilitation, combined with conversion, is to be utilized as a means of providing more rental housing units, the whole financial situation must be assessed and some practical solutions must be found. Present economic conditions are generally not conducive to rehabilitation and/or conversion for anything other than a fairly rapid "turn around" - resale for a profit over and above the original costs of purchase, rehabilitation and various servicing and interest charges.

Such solutions should probably be innovative but they should also be simple - to understand and to use. They should probably not rely on major government funding nor on massive governmental manipulation of such things as mortgage rates (which although declining are still extremely high).

Rather, any potential financial incentives should combine a minimum of direct government assistance with a maximum of private sector and local government initiative.

Types of Incentives

A variety of approaches to such incentives could probably be developed. However, given the apparent objectives of improving the existing Ontario housing stock, strengthening the core areas of Ontario communities, increasing the number of available rental units and providing some construction employment opportunities, it seems that two approaches already in use in the United States could be adapted to Ontario.

They are:

- Revolving Funds
- Tax Incentives

Revolving Funds (General)

This approach to financing was developed almost 25 years ago in the U.S. (1957 in Charleston, South Carolina) as a way to ensure the preservation of specific historic buildings threatened with demolition.

During the 1960's and 1970's it has been used in various cities chiefly to either purchase buildings threatened with demolition and restore and/or resell them to purchase buildings in various states of decay for rehabilitation for sale or for rent.

It has been used, increasingly over the last five to ten years, as a sort of "seeding" in areas in or near the core areas that have fallen into disrepair and even decay. By rehabilitating one or several houses in an area, the administering organizations hope to begin a "turn around" of the entire area - thus both recovering the original investment and strengthening the central area of the community.

Recently, though, the problem of "displacement", usually of poor blacks who had formerly lived in the structures being rehabilitated, has become another problem for which revolving funds are being used as a solution: to provide rental units for low income residents of the area being rehabilitated. It is often necessary, though, to combine the use of the revolving fund with at least one relevant Federal funding program.

Although the communities of Ontario do not share the same social and economic problems of many U.S. cities (i.e., large, truly decayed areas in or near the centre city and a relatively large, disadvantaged black population living there), many of the principles of the revolving fund approach could be used (with adaptations).

Revolving Funds (for Ontario)

In the States revolving funds are based on a type of philanthropical approach that may not be appropriate to Ontario.

The fund is both developed and administered by a non-profit organization (usually termed a "foundation"). The fund is usually set up in rather typical fund-raising ways:

- By soliciting memberships, including corporate and patron memberships that range into the thousands of dollars.
- Through "capital-fund" campaigns.
- Through private major donors.
- By using grants that exist for such purposes.

Given the resistance that local communities have encountered in Ontario even in setting up Business Improvement Areas, I am not really too optimistic.

Nevertheless, such organizations as the Art Gallery of Ontario have managed to develop successfully over the years by means of such an approach, and since many Ontario communities do not have such central facilities requesting donations it is possible that foundations could successfully solicit for rehabilitation purposes.

Being realistic, though, a revolving fund approach in Ontario would probably work best if it were to be administered by a non-profit organisation (perhaps like a non-profit housing corporation) working closely with the local municipal government.

Some sort of "start up" grant would probably be necessary, with the Ontario Ministry of Housing perhaps providing additional funding and/or technical assistance.

The grant could be for the amount of money that it takes to purchase, rehabilitate and administer the first property by a non-profit organization; a key requirement would be that the number of residential units in that property be increased by that rehabilitation (and conversion) and that the units be for rent. The non-profit organisation could either sell the property (provided that the units be rented) or rent the units, possibly for moderate rents. The profit or income would then be used on succeeding properties.

Obviously such an approach needs a great deal more work if it is to be developed into a useable program; numerous permutations, implications and complications - legal and financial - need to be considered.

Tax Breaks

This approach can and could take a variety of forms, as has been the experience in the States.

For Ontario, the general approach could be to provide tax breaks (i.e., property taxes to be reduced or to be removed totally for a specified period of time) if certain specific conditions are met, such as:

- Structure to be rehabilitated (both internally and externally)
- Number of residential units to be increased through rehabilitation and/or conversion
- All units to be rented (with, perhaps, some special provisions for moderate vs. market rents)
- Possibly some design compatibility or historic preservation criteria to be met.

Other possible breaks could include (with special taxation arrangements at the Federal level):

- A gift tax allowance if all of the above conditions are met plus a restoration of the facade of buildings of historical and/or architectural merit
- A capital gains tax allowance if the building is sold for profit after meeting the above four requirements if a covenant is built into the sales agreement ensuring that the units remain as rental units (probably at moderate rental costs).

Anyhow, again this approach needs to be studied in considerably more detail.

Conclusions

It seems apparent that there will have to be financial incentives of some form if additional rental units are to be supplied in Ontario's communities by means of rehabilitation and/or conversion.

Although some approaches have been taken in the States that could probably be adapted for Ontario's communities, a fairly detailed review of these and other approaches, with specific program recommendations, still needs to be done - in the very near future if possible.

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Manager
Planning Impact
Project Planning Branch

cc: Mr. Bill Mackay
Ms. Diana Jardine
Mr. Peter Jankowski

VLK/th

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